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H – 4392

International Court of Justice

H4392 - 0002

OFFICE OF U.S. CHIEF OF COUNSEL FOR WAR CRIMES

EVIDENCE DIVISION

Date : 10.8.45

I certify that Document Number 1741-PS was introduced into evidence as Exhibit Number RF-216 in the Trial by the International Tribunal of Hermann GOERING, et al, which commenced on 20 November 1945, and that the attached photostat is a true and correct copy of the original.

Fred Niebergall

Fred NIEBERGALL
Chief, Document
Control Branch.

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C E R T I F I C A T E

I hereby certify that the annexed document 1741-PS
No. RF-216 is a photostat of an original
French
document submitted in evidence by the ~~United States~~
Prosecution under this number. The original document has been withdrawn in accordance with Rule 10 of the International Military Tribunal, and to the best of my knowledge and belief is to be held at the National Archives, Washington D.C. .

Nürnberg, 20. 8. 46

Paul Joosten

PAUL A. JOOSTEN

General Secretary
International Military
Tribunal

H4392 – 0004

OFFICE OF U. S. CHIEF OF COUNSEL
FOR THE PROSECUTION OF AXIS CRIMINALITY

Doc. No. 1741-PS Date 16 October 1945

DESCRIPTION OF ATTACHED DOCUMENT (Under following headings).

Title and Nature: Docket of official correspondence and diplomatic notes between Foreign Office, Minister Hemmen and the French Government regarding French occupation cost payments.

Date: From 5 July 1940 to 7 November 1944

Original (X) Copy (X) Language: German and French

LOCATION OF ORIGINAL (also WITNESS if applicable)

As of 15 October 1945 partly unknown, partly in OCC files, Nurnburg.

SOURCE OF ORIGINAL: Hemmen Files.

PERSONS IMPLICATED: GOERING, Hermann; RIBBENTROP, Joachim von; FUNK, Walter; KROSIGK, Lutz Schwerin von

REFERENCES TO INDEX HEADINGS (Key to Par. nos. of Summary below):

1. Foreign Penetration: Economic
2. REICH GOVERNMENT AGENCIES: Foreign Office, MPA, Four Year Plan Agencies, Finance Ministry, Economic Ministry.
3. SPOLIATION OF FOREIGN PROPERTY: Indirect Spoliation

NECESSARY PROCESSING TO PUT IN EVIDENTIARY FORM: LEADS: None

SUMMARY OF RELEVANT POINTS (with page references):

Thi s document has been thoroughly analyzed by Lt. Korican as Economic analysis and condensation No. 13. A reference copy of this analysis is available in the Doc. Room, Rm. No. 305.

Analyst: Lt. Korican:DD

H4392 - 0005

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TRANSLATION OF DOCUMENT 1741-PS
OFFICE U S CHIEF OF COUNSEL

PART 3

S BIN NR 51 7 AUG 8 AUG 0800-

TO the Chairman of the German-French Economic Commission, Ambassador HEMTEN, Wiesbaden Hotel 4 Jahreszeiten.

RUBBER STAMP:
German Armistice Delegation for Economy Wiesbaden 8 AUGUST 1940 NO. 30
Incl. 1.

NO 70=

Enclosed, I forward to you a copy of the draft of the note on occupation costs, which corresponds to the decisions made in the meeting of the H.P.A. on 31 July, and which in the meantime has the consent of the Chief of the OKW. I request to forward the note now.

By Order /S/ WIEHL.

NOTE:

For the Chairman of French Delegation
with the German Armistice Commission
General Huntziger

My General:

By order of my government, I have the honor to inform you of the following:

(1) According to Article 18 of the German French Armistice Agreement of 22 June 1940, the costs for the maintenance of the German occupational troops on French soil are to be borne by the French government. To carry out this term, an early settlement is necessary.

(2) Considering the impossibility to calculate the costs accurately at present, until further notice, daily installments of at least 20 million marks are necessary. These installments may be paid in French francs, Reich-credit checks (REICHSKASSEN SCHEINEN) or other values, to be agreed on. The conversion of French francs has been fixed on a currency ratio at 1:30, subject to a later different settlement. The billeting of the German occupation troops on French soil is not included in the settlement of installments. The billet owners will be compensated for the billeting costs by the French government outside of the settlement of installments.

(3) The settlement is in force from the period beginning 25 June 1940. The back payments are due with the settlement of installments. The further amounts are to be paid every time for a period of ten days in advance.

(4) Certificates of requisition for material in kind, issued by the German occupation, exclusive of billeting, as far as they have been issued after the coming into force of the settlement of installments, will be registered as payment for the cost of the occupation by the French government. However, the certificates of requisition, which were issued by the German occupational troops before the coming into force of the settlement of installments, are to be redeemed by the French government without deducting it from the costs of occupation. I request my General to confirm to me the receipt of this note, and to notify me about the measures which the French government has made about the execution of the above settlement.

Permit me, My General, to express my utmost respect,

(illegible).

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TRANSLATION OF DOCUMENT 1741-PS
OFFICE US CHIEF OF COUNSEL

PART 6

Wiesbaden No. 29 17.9.40 2010 -Secret-

Teletype

Foreign Berlin

Secret

Del. No. 120.

In your teletype No. 171 of 12 September, concerning occupation expenses, it is stated in number 2 that it is the wish of the Reich Finance Ministryto inform the French delegation explicitly "that the installments did not constitute a settlement by a lump sum, but that they would have to be adapted to the actual necessities arising from the current war situation and the current requirements of the occupation troops". I hesitate considerably to communicate this request to the French delegation for the following two reasons:

In my notes of 8 August 1940 - Del. W. 280 of August 1940 -del W. 331- and of 20 August 1940-Del. W.408, the idea of instalments has always been expressed clearly. The idea of a settlement by a lump sum has never been discussed with the French. The French delegation has therefore no reason, up to now, to assume that the instalments constituted a settlement by a lump sum. The instruction requested by the Reich Finance Ministry would, on the contrary, only arouse the idea of a settlement by a lump sum in the minds of the French, which I consider as diesastrous.

General von Stuelpnagel informed me more officially that numerous German Divisions have been transferred to the East from France. This fact cannot remain unknown to the French permanently. He drew my attention to that fact because he thought this decrease of the armed forces in France would certainly influence the amount of the occupation expenses.

The transmission of the communication to the French delegation at present on the wording "as necessitated by the current war situation and the current requirements of the occupation troops" as desired by the Reich Finance Ministry contains the further danger that the French delegation would claim a reduction of the instalments because of the decrease in the number or troops.

I ask you for your decision.

SIGNED: HEMMEN

2015 NR 29 Received BO AUSW AMT (Foreign Office) BERLIN.

H4392 - 0009

TRANSLATION OF DOCUMENT 1741 - PS
OFFICE US CHIEF OF COUNSEL

PART 7

Wiesbaden 23 October 1940

Armistice Commission
for
Economic Affairs

French Delegation

No. 6318/DE

The President of the French Delegation
for Economic Affairs

To Monsieur Hemmen
Minister Plenipotentiary
President of the German Armistice
Delegation for Economic Affairs.

PART 7 Cont'd.

(Rubber Stamp)

German
Armistice Delegation
for Economic Affairs
Wiesbaden
24 October 1940
No. 1532
Enclosures

Sir:

By order of my government I have the honor to communicate the following to you:

In a note dated the 12th of October, the German government answered a note of the 26th of August in which the French government had made a formal protest against the payments demanded from her to cover the expenses of the German occupation troops in France. The German government refuses all discussion, both on the distinction between "occupation troops" and "operational troops", and on the rate of exchange between Reichsmarks and francs.

It further refuses or denies the French government the right to watch and receive information about the way in which the sums paid for the costs of occupation are used, as well as about the requisitioning of lodgings and economic requisitions.

The French government profoundly regrets this reply. It considers, in fact, that events have fully justified the position it took up.

After having recalled once more the essential distinction which it makes between "occupation troops" and operational troops", the French government pointed out to the government of the Reich the two considerations which, in its opinion, make a fresh examination of the problem necessary.

1. Facts have shown that the rate of exchange fixed for the conversion of the Reichsmark into francs was too high. This rate of exchange did not take into account the respective levels of prices in France and Germany at the time when it was fixed. It anticipated a very considerable rise in French prices, which the German authorities considered inevitable. Actually this rise did not take place and the buying power of the franc remains much higher than that implied by the maintenance of the present parity.

The French government is all the more surprised at its protest against the rate of exchange between francs and Reichsmarks not having had any results, as it had itself suggested, in case the rate were modified, a formula allowing the pay and allowances received by the German troops for their expenses in France to remain at the figures at present paid in francs.

An immediate consequence of the rate of exchange of 20 francs to the mark is that the sum demanded on account, for the maintenance of the occupation troops, which is reckoned in Reichsmarks, is out of all proportion to the real expenses of these troops. As a matter of fact, the credit balance

of/

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of the account opened by the Bank of France for the German military administration is enough to cover the costs of occupation for a long time to come.

2. It is obvious that the payments demanded by the government of the Reich should be reduced in proportion to the number of German troops in France. But it is clear that this number has diminished considerably since the daily payment was fixed.

The French government is all the more justified in arguing from the above facts, as it is faced by an extremely serious economic problem, owing to a lack of raw materials and insufficient means of transport, which have led to considerable unemployment. The result is that, if the level of the costs of occupation fixed in August is persisted in, the burden will become more and more difficult to bear as time goes on.

The French government therefore has to make a formal request for a revision of the present daily payment. This reduction is amply justified, both by the real needs of the occupation troops and by France's economic capacity. If it does not take place soon, the French government will inevitably be unable to continue its payments.

The French government, anxious to carry out the Armistice Convention which it signed, wanted to give the government of the Reich this loyal explanation of the position it is forced to take up. It appeals to the feeling of great comprehension of the German government and hopes that this sincere explanation will induce the latter to grant the revision requested in this note.

I am sir,

/S/ Yves de Boisanger.

(Rubber Stamp)

THE PRESIDENT
French Armistice Delegation
FOR Economic Affairs.

PART 8

French Delegation for Economic Affairs

(Rubber Stamp)
German Armistice Delegation for Economic Affairs
18 March 1941
No. 5409.
Enclosures.

Wiesbaden, 18 March 1941

No. 15447/DE

The President of the French Delegation for Economic Affairs.
to Monsieur Hemmen
Minister Plenipotentiary
President of the German Armistice Delegation
for Economic Affairs.

Sir:

I have the honor to communicate the following to you on the orders of my government:

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PART 8 Cont'd.

Since the fixation of the daily indemnity by Germany, the French government has paid over 108 million as occupation costs.

The burden of this payment, aggravated as it is to this degree, can no longer be borne by the economy of this country without serious danger. There is a risk of its causing a disorganisation of its social and political structure from which German interests would be the first to suffer.

The representatives of the German government have several times manifested their intention of dealing considerately with France's domestic order and her attempts at recovery.

It is the purpose of safeguarding the economic forces necessary for Franco-German collaboration that the government has the honor of setting forth the motives and objects of its request for the revision of the indemnity.

I. MOTIVES

1. Monetary.

The total of the sums paid by France is so great that financing has to be covered by repeated appeals to the Bank of France.

As a result, the monetary circulation is increasing at an exceptionally dangerous rate.

In January 1939 it did not exceed 110 milliards. In January 1941 it had already been doubled. At the present rate it will soon reach three times its pre-war volume.

2. Economic.

This enormous mass of buying power weighs down an impoverished country, whose reserves have been exhausted by war and whose production is cramped by the lines of demarcation. It can not be reabsorbed by taxes, since budgetary recoveries, which already represent a very heavy burden on the taxpayer, do not exceed 60 milliard francs. It can not be absorbed by loans, since subscriptions to treasury bonds only just cover the expenses of the French state.

The mass of currency thus exercises considerable pressure on prices, so that it is difficult to prevent them rising.

3. Psychological.

This is particularly the case owing to the fact that all holders of francs are showing an increasing propensity to fly from money. The rise in the rate of interest on shares, hoarding by merchants and individuals and rise in real estate prices reveal the progressive depreciation of the national currency.

The fall of the franc was considerably accelerated when the State's Fourth Convention with the Bank of France (20 January 1941) became known. It is to be feared that the publication of the Fifth Convention, dated the 20th of February, will be still more disastrous, unless it is accompanied by the announcement of a revision of the indemnity.

II. OBJECTS

1. Reduction of the indemnity.

The indemnity was fixed at 400 million francs per diem, as the result of a decision by the German Armistice Commission for Economic Affairs on the 8th of August 1940, to meet the expenses of the occupation troops.

But these troops have decreased in number since the armistice, and one must reintroduce the distinction between operational troops and occupation troops, the latter being the only ones who were to be supported by France, according to the Armistice Convention.

Furthermore, the debits actually entered on the account of the Reich Credit Bank (Reichskreditkasse) with the Bank of France have been used to cover other needs than that of supporting German troops.

Finally, in spite of these non-military uses to which the indemnity has been put, German expenses have not absorbed the credits which were opened.

Thus it came about that on the 12th of March 1941 the payments made by France amounted to 108 milliards, while the Germans had only drawn up to half this figure.

It would therefore only be fair to reduce the daily payment of 400 millions by a very considerable fraction.

2. Incorporation of all French obligations into the indemnity.

The present indemnity does not include all the obligations which France has to meet.

The French State meets the expenses of lodging and billeting separately.

The fiscal exonerations which Germany recently decided her purchases in France should enjoy, deprived the French Treasury of a considerable income.

It would only be fair that the new payment should cover all the obligations falling on France as a result of the occupation.

3. Reduction of the rate of exchange of the mark.

The rate adopted for the mark, as a result of the decision of the 8th August, is 20 francs to the Reichsmark, whereas the official parity between the two currencies is 17 francs, and real parity, based on a comparison of their buying power, is still lower than this figure.

This over-valuation of German currency does not have as its only effect a considerable aggravation of the burden of tribute. It also exerts an upward pressure on French prices which tend to adjust themselves to German prices, on the basis of the excessive rate of exchange of the mark.

The parity between the two currencies should therefore be brought back to a level which stands in a closer relationship to economic realities.

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4. Alteration of the method of payment.

The habit of making payments in currency in settlement of the requisitions supplied to the occupation authorities is the principal cause of the exaggerated monetary circulation.

It is therefore essential that the needs of the German occupation troops be met, in principle, only by requisitions in kind:

--that the methods used in the Rhineland from 1919 onwards be taken as an example and the French authorities be made responsible for obtaining these requisitions and debiting the occupation account with the value of the products and services provided in France;

--that payments in currency be limited to a few purchases direct from commerce and industry made by soldiers of the German army out of their pay;

--that payment for purchases in Germany for the maintenance of the ocaupation troops in France be met by the Reichsmarks which the French Compensation Office holds in Berlin. The cost of these supplies would be debited to the account opened to follow the use of the daily indemnity.

The French government strongly hopes that the reasons for her preoccupations will be understood. It urgently requests that talks be begun rapidly, so that the indemnity can be readjusted before the currency has lost its value completely. It counts on the German gouvernment agreeing to no new payments being made until the necessary negotiations have been completed, as the needs of the occupation troops are covered for many months by the money at present credited to them in the Bank of France".

I am, Sir, etc.

/S/ Yves de Boisanger.

(rubber stamp)
The President
French Armistice Delegation
for Economic Affairs.

H4392 -0015

TRANSLATION OF DOCUMENT 1741-PS
OFFICE U S CHIEF OF COUNSEL

PART 20

C 3

Paris 11 Sep 1941

Del. W. No. 9659 P

1) Foreign

BERLIN

Del W. No. 443 of 11 Sep 1941

Teletype

- Secret -

After extensive examination of the situation, I would like to suggest urgently, in reference to our dilatory treatment of the occupation costs, ordered by the telegram from there of 2 Aug 1941 - No. 3863 - and strictly complied with up to now, to make a new appeal to the Reichsminister for Foreign Affairs, to authorize me to sign the agreement over the reorganization reached with the French delegation, according to my telegram of 22 July 1941, Del. W. No. 372, and to put it into force.

In fact, it absolutely complies with Ambassador Abetz's opinion, forwarded there in his telegram of 15 August 1941, paragraph 1, that our consent for a fundamental readiness to decrease the occupation costs has been given to Admiral Darlan on 7 May 1941 for the concessions, granted us in Syria. As it is reported to me, General Huntziger has represented the opinion to De Boisanger, that there may be a misapprehension or incomplete notification of German agencies, if now the settlement of the occupation costs are brought up in connection with the North African questions.

I further point out, that the present arbitrary de facto settlement of the payment of 15 instead of 20 million RM daily, already extends over 4 months, and that this represents for France the practically most favorable situation, and probably pleases more than the new regulation for 10 million RM credit plus 3 million RM transfer daily. It is still more important, that with a further delay of the settlement of occupation cost, a series of important questions, which are regulated with the reorganization simultaneously, remain further unsolved at the same time, and disadvantages for us come about from this:

1) The purchase of further French interests abroad is obligatory in most cases because of war-economical reasons. However, the reorganization, agreed to, cannot be taken up for that, as long as a total solution is still uncompleted. The Reichsministry for Economy reports that the negotiations are practically at a standstill at present for this reason. Therefore, the disadvantage lies with us alone in these subjects, while 60 million RM for the purchase of interests with the coming into force of the reorganization.

2) The execution of armament deliveries from France always presents to our armed forces authorities difficulties, which result from the payment. An immediate coming into force of the transfer of goods would directly result in favor of our war potential.

3) I can secure the final appointment of the German foreign trade commissioner at the same time, for which especially the Four Years' Plan and the military commander show a lively interest.

But the stoppage also has a disadvantageous effect on the other work of the delegation. I am forced to approach the French government every week with new demands, mostly war-economically important, among them the construction of a German-French clay factory in France for deliveries of

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PART 20 (Cont 'd)

additional 100,000 tons of clay per year, the renting of several thousand trucks with French drivers, and the purchase of 15,000 French trucks, converted to woodgas for transports to Russia.

Everywhere the energetic cooperation of the French government and in part serious pressure by the government on its own economic circles are necessary for the execution of these problems. Because of the well-known tendency of the French government to hide themselves in case of such economic desires behind the general political situation, my efforts now ran against continually increasing difficulties. It is therefore desired to reinstitute the previous status as soon as possible, and to keep the field of endeavor of my delegation free and independent of the prevailing political constellations, as much as possible.

For these reasons, I recommend, that the present uncertain situation of the occupation cost question, which can only have a disadvantageous effect on us ourselves, be ended soon, and that the new settlement be ordered by us now.

(In ink) Ambassador Abetz has been informed of this telegram before it was forwarded.

/s/ Hemmen

1735 No. 23 one received foreign office KR

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PART 22

FOREIGN OFFICE
Ambassador Ritter

C.3
"Westfalen", 14 October 1941

(STAMP: German
Armistice Commission
Wiesbaden
18 October 1941
Nr. 10628)

Dear Mr. Hemmen,

I have received your letter of 29 September 1941 - Del. W. No. 10093 P.

The Reich Foreign Minister does not consider it appropriate to approach the Führer with the regulation of the occupation expenses at the present.

With friendly greetings
Heil Hitler
Yours

signed: Ritter

To:
The Ambassador Hemmen
German Embassy
Paris

H4392 - 0017

TRANSLATION OF DOCUMENT 1743-PS
OFFICE U.S. CHIEF OF COUNSEL

PART 23

French Delegation
to the German Armistice
Delegation for Economic
Affairs

German
Armistice Delegation
f. Economic Affairs
Wiesbaden
5 November 1941
No. 11116.
Enclosures

Paris, 4th November 1941
Place du Palais-Royal

The President of the French delegation
for Economic Affairs,

to Monsieur Hemmen
Minister Plenipotentiary
President of the German Armistice Delegation
for Economic Affairs

Sir,

In execution of the decisions taken by the German government with regard to the payment of the costs of occupation, the French government has, since August 1940 made periodic payments which, on the 31st October 1941, totalled 183,200,000 francs. It was also obliged to defray certain expenses (particularly the lodging of troops) directly -- expenses which amounted, at this same time, to nearly 8 milliards and to cover the deficit in the Franco-German clearing account, which is, at the moment, in the neighbourhood of 11 milliard francs.

The French government protested several times against the size of this imposition, drawing the attention of the German Government to the grave dangers it entails, both from the financial and from the economic point of view.

Its fears on this point are unfortunately being shown to be better founded every day.

The expenses resulting to the French Treasury from the occupation alone are as high as the expenses of the State itself. The sums paid towards the costs of occupation are also often used to a large extent to defray expenses which have nothing to do with the maintenance of troops.

It is clear that such burdens are disproportionate to the present resources of France and that they can be covered only by treasury expedients.

The national revenue is diminishing continually. If the efforts made in the field of agriculture result in an increase in the productivity of the soil, industrial activity slows down. An increase in taxation would produce a hardly noticeable result, and one must, on the contrary, expect the product of these taxes to diminish more or less rapidly. One is therefore forced to borrow at short call, either from the Bank of France or from individuals and credit establishments, up to 70% of the needs. In this way the public debt and the advances from the fiduciary swell at an alarming speed, whatever the effects may be of the measures taken to manipulate certain elements of this debt and to make it less onerous (conversion, consolidation, reduction of rates of interest).

The mass of means of payment created to deal with the expenses resulting from the occupation, seriously imperils economic equilibrium. Inflation takes place in spite of the efforts of the government to limit its volume and its consequences.

The prices of foodstuffs of daily use and of industrial products are maintained by rationing and taxation, but nevertheless tend more and more irresistibly to rise, and each day it is harder to prevent too rapid a rise in the cost of goods and property.

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PART 23 (Cont'd)

The increasing abundance of money available is shown both by the increased circulation of bank notes and by the increase in stocks held in private and public institutions.

The monetary circulation, which was about 160 milliard francs in June 1940, has today reached the figure of 250 milliards, in other words, it has increased by over 56%. During the same period bank deposits increased by about 50%.

The smallness of the quantity of goods offered is at the same time accentuated by supply difficulties and by the extent of the requisitions carried out in the occupied zone.

This development is leading to a catastrophy like that suffered by Germany 20 years ago.

When the French government signed the Armistice, it firmly intended re-establishing the economic situation. All its efforts since then have aimed particularly at keeping the monetary situation under control, in spite of difficulties of all kinds and, particularly, in spite of the enormous costs of occupation.

The French government is resolved to persevere in this path, but it cannot do so usefully if the payments imposed by the German government continue to render all its efforts useless in advance. It wants to warn it once more.

I am, Sir etc.

sgd. Yves de Boisanger.

(rubber stamp)
The President
French Armistice Delegation for
Economic Affairs

* * * * * * * * * * * * *

PART 27

Telegram (Secret Ch V)

Berlin, 19 February 1942, 1343 o'clock

Wako Paris

Nr. 50 of 19 Feb. Citissime.

Matter to be kept under lock C
Att: Mr. Hemmen

German
Armistice Delegation
for Economics
Wiesbaden
20 February 1942
No. 1309
Enclosures
Initials

In answer to report of 3 and 11 February No. 736 and No. 189 of 16 February and telegram of the 18th No. 43.

1) Reich Foreign Minister has ordered on 16 February that you orally transmit to the Governor de Boisanger that the German Government considers

PART 27 (Cont'd)

the letter of Finance Minister Bouthillier to the Reich Minister of Finances only as a personal statement, not as an official communication of the French Government. In case the French government wishes to make a statement concerning the question of occupation costs this should be directed by the authorized French chief of negotiations to the authorized German chief of negotiations. In connection with this communication you are to warn Mr. de Boisanger regarding the end of Mr. Bouthillier's letter emphatically against an arbitrary discontinuation of the payments for occupation costs by the French Government and to point out to him that such a discontinuation would create a serious situation and result in corresponding German counter measures.

2) The Reich Minister of Finance has on 17 February declared that he approves these steps and that he is not going to answer the letter. However, he has suggested an internal discussion of the question of occupation costs to which the Reich Foreign Minister also agreed regarding the report of the OKW on the actual daily expenditures. The discussion will take place soon in agreement with the competent department and your reports mentioned in the beginning will also be discussed.

3) Reich Foreign Minister, by the way, has issued for all your negotiations the general directive, considered at an earlier date, that you are to break off negotiations and depart for Berlin in case the French assume an attitude which is not becoming to them as the conquered ones.

Wiehl.

* * * * * * * * * * * * *

PART 29

French delegation to the
German armistice delegation
for economic affairs
Ref.: P 276/DE

Paris, 4 March 1942
Place du Palais-Royal

From: The president of the French delegation to the German armistice delegation for economic affairs.

To: Monsieur Hemmen, Minister Plenipotentiar president of the German armistice delegation for economic affairs.

Sir

I have the honour to inform you of the following by order of my government.

Ever since August 1940 the French government has continuously drawn the attention of the German Government to the extremely grave consequence which must necessarily accrue to French economics and finance from payments towards the costs of the occupation.

The French delegation to the German armistice delegation, for economic affairs has time and again made personal and written representations on this point; the question has also been taken up regularly by members of the French government and their representatives every time they had a chanc

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H4392 - 0020

to discuss Franco-German problems with the German authorities; lastly, the French finance minister considered it his duty, in view of the seriousness of the situation, to make a direct appeal to the German finance minister.

The French government declared, as soon as it was informed of the German Government's demands, that it only agreed under duress to make payments out of proportion to the obligations accruing to it out of the armistice agreement; it has protested against the German refusal to differentiate between occupation and operational troops and against the rate of exchange imposed between the franc and the mark, which enabled the German army, by reason of the very low level of French prices, to effect enormous requisitions in the occupied territory. Finally, it has proved again and again that the daily payments of 20 million Reichsmarks exceeded the total requirements of occupation and operational troops, since the sums placed at the disposal of the German authorities were never sent in their entirety, although they were even used otherwise than for the expenses of the German army in France (purchases of goods by the Reich, purchases of stocks and shares, etc.)

These representations remained without effect, and those protests were never accepted. Only one series of discussions was opened in May 1941; it continued for over three months and had no other result than the reduction of the daily payments to 15 million Reichsmark and an admission by the German government that this amount could very well be reduced a lot more. Even these concessions were made dependent by the Germans on extremely heavy compensations in the form of transfers which the French Government only accepted for a limited period and in order to facilitate an agreement.

More than seven months have gone by and this question is still outstanding. It is now impossible to put off a decision any longer, since the effects on French economics and finance of the payments exacted under occupation costs are now fully visible.

On February 28th, in other words after 20 months of occupation, France will have paid 219,200,000,000 francs and another 9,000,000,000 odd under the heading of military accommodation costs. Payments for the year 1942 based on present facts and exclusive of accommodation costs will reach 110,000,000,000, which is considerably more than the total fiscal receipts of the French state.

PART 30

Dir. Ha Pol Nr.
Büro RAM with the request
for further transmission.

Berlin, 10 March 1942

N O T E S
Concerning occupational cost regulation.

With the approval of the Reich minister for Foreign Affairs all the departments took up again the question concerning the occupational costs.

According to the opinion of all the ministries expressed unanimously, negotiations with France concerning the occupational costs have become necessary, because a suspension or diminution of the payments on the part of the French was to be feared on one hand (Bouthillier-letter) and because the OKW on the other hand protested again with determination against the, in July 1941, proposed reduction of the installments to 10 million RM's per day because of its current needs in France.

After careful deliberation of the question, all departments, the Armed Forces included, took the point of view that the reduction to 10 billion RM's should not be conceded to the French as a final settlement on the occasion of new negotiations, but that they should be granted a breathing spell of about 6 months, from 1 April 1942 - 1 October 1942, which should exclude any further discussion of that question until that date. This is insofar of tactical importance as in that manner the old amount of the installments of 15 to 20 million RM's is being maintained and thereby the important concession of a reduction to 10 million RM as a political concession is left open.

It has been agreed upon, that:

1) A current transfer from the existing credit amounting to 2 million RM per day in merchandize and 1 million RM in securities (stocks) and participation must be insisted upon for the meeting of the so-called external occupation costs.

2) The French Government should see to it that the expenditures for the occupational costs figure in the budget in a lawful manner.

3) A general regulation of the absolutely necessary tax-, wage- and price-reform and other measures for the prevention of the danger of an inflation must be demanded simultaneously.

The decision proved indisputably that we had no real efficacious counter-measures at our disposal in the case of an arbitrary suspension or diminution of the occupational costs by France. To make ourselves paid by sequestering the bank-note reserve of the Bank of France or by sequestering French State- or private property would only be of temporary efficacy, not to mention the political effect of such a measure of force. This would direct itself very soon against the proper German interest, because the present efficacious French cooperation in the execution of great armament orders and the distributior of orders would suffer strongly by it.

Considering these view-points, I ask for the authority to instruct the German Armistice delegation for economy in Paris to conduct the negotiations with the French delegation in that sense.

Hereby submitted
to the Foreign Minister of the Reich
through the State secretary.

signed: Wiehl

H4392 -0021

H4392 - 0022

TRANSLATION OF DOCUMENT 1741 - PS
OFFICE U.S. CHIEF OF COUNSEL

PART 32

Draft/KA Final Copy SR/17 Oct 1942

Paris, 16 October 1942 Del W. No. 347 secret RS

1) To the
Foreign office
Berlin

(in ink)
written in eight copies
3 copies of which to Berlin:
1 FRH v. Mahs
1 Int Ley (2)
1 Ambassador - Paris
1 Capt. Brandt
1 Qva

To the decree of 18 September this year - Ha Pol Frie 839/ secret and in connection with the report of 24 August this year - Del. W. No. 307 secret RS

Subject: Occupation costs in France

2 information copies

1. In addition to the suggestions of the German armistice delegation for economy in its above-mentioned report and for the preparation of the execution of the decision of the HPA of the 7 September 1942 in the question of occupation costs, the following suggestions are made:

If one starts out, that because of political and financial reasons the French government does not find itself ready for the continuous advance of the occupation cost account above the daily installment of 15 million RM for the purpose of retention of a minimum amount of the account, because it will mean an increase of the cost of occupation, then it will depend during the coming negotiation with the French government upon getting its agreement to the suggestion of the German armistice delegation for economy, to settle the expenditures, unrelated to the occupation, which have been paid thus (or from occupation cost funds, via the clearing, to retain the occupation cost funds for their proper purpose.

1. In connection with this suggestion, it must be attempted to solve two questions:

a) One single transfer of a larger amount via clearing to the occupation cost to equalize at least partly the expenditures unrelated to occupation costs, already paid in the first half year of 1942 from occupation cost funds;

b) Continuous monthly transfer via Clearing of funds from Germany, which are necessary for the settlement of expenditures, unrelated to occupation costs.

At first it will depend upon making it clear to the French that we are forced to make a difference between expenditures for occupational purposes, and expenditures unrelated to occupation costs.

H4392 - 0023

PART 32 (Cont'd)

It is yet to be considered in detail, whiseh instances are to be mentioned to the French as examples of expenditures, unrelated to the occupation costs. Without doubt, these will include in the past the funds out of which the compensations were paid for the requisitioned horses, and in the future the expenditures for food and fodder deliveries consigned for Germany. However, there are strong doubts about mentioning the black market purchases here also. At the end, the only thing to do will be to justify the distribution to the French by generally military reasons, which cannot be described in detail. Of course, such a basis for negotations makes the accomplishment of the new German demands for the transfer via clearing of the continuously necessary funds of 150 million RM monthly more difficult, because the French will recognize that therewith additional purchases of goods outside the contingencies agreed to are to be paid.

H4392 - 0024

PART 32 (Cont'd)

Since the costs of the occupation have increased greatly especially since the beginning of the year, there is a definite reason to demand from the French that they also agree for the past to the settlement of at least a part of the expenditures, unrelated to occupation costs, in such a form that an amount as big as possible, is paid in via clearing and transferred by France to the occupation cost account. In that manner, it could be accomplished that the occupation cost account will again be replenished by this amount. In the first half year of 1942, 280 million RM have been spent for the purchase of horses, and 600 million RM for the purchase of the Raw Material Trading Co. Ltd. (Roger). Of course, it will not be possible to get from France the consent for the transfer of an amount of that size.

In case of the one single payment as well as in case of the future continuous monthly payments for expenditures, unrelated to the occupation costs, the French authorities will neither be informed about the distribution of the accounts, the latter of which are to be paid as lump sum payments at the end of each month, nor about the purpose.

It is a pre-requisite for the settlement, that the procurement of funds in Reichsmarks is secured in the past as well as in the future.

* * * * *

3. This type of settlement of the question of occupation costs secures the procurement of French funds in a simple practical form, and fits into the frame of the German-French financial transaction. Naturally, it amounts to a further considerable financial burden on French economy; but it does not appear in the form of an increase of the occupation costs.

The idea to balance this internal account at the final settlement of the occupations at the conclusion of the peace can be combined at the same time with the special internal bookkeeping of those expenditures, unrelated to the occupation costs, separate from other Clearing transfers.

II. The fact that in the meeting of the HPA it was not finally given up to increase the amount of france of the installments by change of the exchange rate, causes the German armistice delegation once more conclusively to take a standpoint to this question.

* * * * *

(page 3, line 6)

However, a new evaluation of the Franc by 50% does not lie in the German interest. The present economical situation of France can no longer be compared with the one of 1940, where the interior purchasing power of the Franc was about in the ratio of 1 RM = 10 Francs.

* * * * *

(page 4 eight lines from bottom)

The account has dropped since 1 July 1942 until 15 October 1942 from 2.476 billion RM to 1,532 RM.

* * * * *

/s/ Hemmen

H4392 – 0025

TRANSLATION OF DOCUMENT 1741-PS
OFFICE U.S. CHIEF OF COUNSEL

PART 33

Received: 28 October 1942
at 9:40 o'clock
from: A. A. Bln
by: Bühler

Initials

Incoming stamp:

German
Armistice Delegation
for Economics
Wiesbaden
28 October 1942
no. 353 g. Rs.
Enclosures . . . . .

From Foreign Office, Berlin

To German Armistice-Delegation
for Economics

Paris

C i t i s s i m e !

Telegram (secret code) No. 307 of 27 October.
Matter to be kept under lock C.

I. For your information:

Reich Minister for Foreign Affairs has ordered, as there might arise political objections against increased demands from France, more exact explanation how in detail the increase of daily expenditures for occupation has been brought about, in particular, who is responsible for the fact that from the account of occupation costs demands have been satisfied which do not represent actual occupation costs. OKW, Department of Wehrmacht Budget and Administration, declare themselves not to be in a position to explain more fully the use of occupation cost amounts and expenditures unrelated to occupation costs.

II. Therefore I ask you to contact the bookkeeper of occupation cost account, get the necessary documents and vouchers and wire back. What matters is to get a survey of amount and purpose of the issue of green checks to the various authorities entitled to make demands (Bedarfstraeger) since the beginning of this year which should easily appear from the books of the issuing office. Greatest speed is demanded as these documents are needed for another submission to Reich Foreign Minister.

/s/ Wiehl

decoded: Bühler

Pencil notes:
1) How large is the part administered by v. Lenz?
" " " " " " " Berlin?
Who gives to Reges.
To whom else does Berlin give allotments.

2) How far does Lenz know for that purposes the amounts are used which he allots to branches of the Wehrmacht, etc.

3) What are green checks?

H4392 – 0026

TRANSLATION OF DOCUMENT 1741-PS
OFFICE U.S. CHIEF OF COUNSEL

PART 34

OKW
2 f 32 Beih. 1A WV (XVI)
3145/42 secret

Berlin, 6 November 1942

S E C R E T

To the
Foreign Office

Subject: Occupation costs France

Reference: a) Note of the DWFV
Del. N. 347 g of 16 Oct 42

b) Meeting of committee
for trade policy of 22 Oct 42
and 30 Oct 42

The Chief Intendant with the military Commander in France has reported that in the past deliveries have been made amounting to a total of 90,000,000 RM monthly which could have been paid by way of the German-French clearing system, because the procured goods were exported from France. The following figures have been obtained from the present monthly average of the year 1942 but they can only serve as a conjecture because the elimination of these goods which were not procured for the requirements of the units of the German Wehrmacht stationed in France is very difficult on basis of the available documents. The following items are involved:

1) Food supply and forage	ca.	11 mill.	RM
2) Spirits, wine and champagne	"	4 "	"
3) Red wine for troops	"	0.6 "	"
4) Canteen goods of all kinds	"	1 "	"
5) Billeting utensils	"	16 "	"
6) Tools for vehicles	"	3 "	"
7) Procurements of ordnance staffs	"	0.4 "	"
8) Procurements of air force	"	23.5 "	"
9) Procurements of horses	"	15 "	"
10) Purchases by Wehrmacht procurement office	"	4 "	"
11) Procurements by the departments North and Pas de Calais	"	5.3 "	"
12) War risk premiums	"	2.5 "	"
13) Navy	"	5 "	"
	ca.	91 "	"

These procurements have been transacted at the prices resulting from the general increase of prices in France. As the procurements were made for service branches outside of France, payment by way of the German-French clearing system is permissible as a matter of principle. Funds of occupation costs have been claimed so far because the final customer of the goods in most cases is not known at the time of procurement. The payment and final entry into the books of these expenditures is the duty of the procurement office in France.

The amount of 150 mill. RM provided so far for carrying out the flat clearing process (Pauschalclearingverfahren) with France can be reached only by including the purchases made by the Roges "Raw Material Trading Company Ltd." ("Rohstoffhandelsgesellschaft m b H) on the black market. Objections have been made hereto, because resale of the goods bought on the black market ("S-Markt") is practicable only with subsidies to reduce the prices granted by the Reich Minister of Finances, and it is irresponsible to incur a commercial debt in the amount of these subsidies given by the Reich Minister

H4392 - 0027

of Finances, in order to procure goods which bring a considerably lower price than that expended. Payment of the procurements on the black market should be possible, however, at least to the amounts actually obtained by the Roges through resale. The amount of 150 mill. RM would almost be reached if the Roges were required to transfer by way of the German-French clearing the proceeds obtained by resale of the goods with exception of the Reich subsidies for price reduction.

If this settlement should not be practicable carrying out of the flat clearing process could be restricted to the amount of 90 mill. RM per month. In this case, the French Government in accordance with the suggestion of the Reich Minister of Finances of 27 October 1942 should be obliged to provide in form of occupation costs the surplus amount missing from the 150 mill. RM.

The excess consumption of occupation cost funds in 1942, as already thoroughly pointed out in the last meetings of the Committee for Trade Policy, is primarily due to the decrease in purchasing power of the franc, and it is to be assumed that this decrease compared with 1940 is at least one third. In addition, payments to a considerable extent had to be made from the occupation cost funds which were not allotted to meet the demands of those units of the German Wehrmacht stationed in France. On 15 January the B account of occupation costs was approximately 3 bill. RM. The reason for the decrease appears from the following compilation:

a) for procurement of goods exported from France during the period of 1 Jan. - 31 Oct 1942 an estimated 10 x 90 mill. RM	900 mill. RM
b) to Roges Raw Material Trading Company Ltd. for purchases on black market	700 " "
c) for procurement of foreign bills by the Navy (the purchase of foreign bills with French francs was necessary to buy and repair merchant ships in Spanish harbors. These merchant ships are to serve for supplying Rommel's Panzer army in Africa).	40 " "
d) Reimbursement to Foreign Office (account Syria)	4 " "
e) Allotments in favor of families of French workers working in Germany	1.5 " "
f) Special commissioner Rumania	1.3 " "
g) Costs of building completions for directors of French powder factories.	0.2 " "
	1647 " "

Therefrom it appears that the decrease of reserves of occupation cost funds amounting to 3000 mill. RM on 15 January 1942 is primarily due to expenditures for purposes unrelated to the occupation. Also in the above compilation are not included the bills issued by the Reichskreditkasse import into France. Of these probably a not immaterial part has been imported by tr units transferred to France, but to carry out procurement of goods destined for export from France. Consequently, it may be assumed that the requirement of the Wehrmacht units stationed in France up to now could have been approximately satisfied from the installments of 450 mill. RM made available every month by the French Government. It is further pointed out that a considerabl part of the above-listed expenditures unrelated to occupation, in particular the expenditures for purchases on the black market (S-Markt) and for French food deliveries not destined for the occupation troops proper, have not been caused by the OKW.

The Chief of the OKW

b. Dr. Karsten

H4392 - 0028

TRANSLATION OF DOCUMENT 1741-PS
OFFICE OF U.S. CHIEF OF COUNSEL

PART 35

Received 4 December 1942 (Rubber Stamp)

at 16 - - o'clock

from AA Berlin

by Mk.

German
Armistice Delegation
for Economy
Wiesbaden
4 December 1942
No. 399 top secret

Telegram from Foreign Office, Berlin

To
German Armistice Delegation
for Economy
Paris

C i t i s s i m o

Telegram (Secret, coded, Verf) No. 352 of 4 Dec.
Secret

Reich Minister for Foreign Affairs has ordered the submission of a vote with reasons, whether the French potential can bear the increase of occupation cost payments, demanded by us. One must if possible gain clarification before a decision, whether for instance as result of black market purchasing actions, a development would be started, which would lead to Greek conditions.

Request by return that documents and standpoint, necessary for vote, is wired, if necessary in connection with military commander and Embassy.

/s/ Wiehl.

decoded: Bühler

* * * * * * * * * * * *

PART 36

Dir. Ha Pol 379 Berlin, 8 December 1942

NOTE
re French occupation costs.

Following the note dated 27 November - Dir. Ha Pol 371

According to instructions, I submit in the annex a note of delegate Hemmen about the financial capacity of the French to pay the increased expenditure rates of the occupation as well as about the dangers threatening French finances arising from the payments of occupation costs and about the methods to meet these dangers. Delegate Hemmen comes to following conclusion.

1) The increased payments of 25 million RM daily (yearly 182 billion francs) are bearable and by no means dangerous for the French finances. The yearly French national income amounted to 432 billion francs for 1942. The daily per capita war expenses are at present in Germany 2.90 RM and thus 6 times as high as in France with o.40 RM.

2) The danger point for the French finances lies in the fact that the French government has done nothing until now to counteract the threatening inflation which is due to the war expenditures, so that a price increase of 50-60 per cent and a devaluation of the franc of about one third took place.

3) Therefore it is necessary to raise simultaneously with the demand for increased occupation costs the demand for effective French financial, monetary and price regulations and to secure their strictest execution under German guidance and control.

H4392 – 0029

PART 36 (Cont'd)

This result on the whole corresponds to the decisions of the HPA which were laid down in my former note. As suggested there, it can be demanded from the French to increase the daily part-payments from 15 to 25 million RM; however, as it has been also suggested there, it is to be insisted that the measures which are needed against further price increase should be carried out without delay and in an absolutely effective way. The investigations which were conducted by the OKW and by the Reich Ministry for Finance come to the same conclusion.

In doing so, it is not sufficient to leave this to the French government alone, but we ourselves have to intercede. The nomination of a special commissioner with similar tasks as in Greece will at present not be necessary and not even feasible in France, for the simple reason that it would be unwise to entirely unburden the French government of its own responsibilities to maintain the order of economics and finances. But it seems necessary to persuade the French government to accept a collaboration with one or more German advisors in order to introduce and carry out the necessary measures. This function could be assigned to the delegate Hemmen and to his delegation in such a manner that the negotiations they have conducted until now would be changed into a collaboration with the corresponding French governmental agencies. The necessity for this could be presented to the French government with the double motivation that, as an occupying power, our interest is not only in that further inflation should be prevented in France and that we can demand this in our capacity as receiver of the occupation costs on the basis of the armistice contract, but that we also have the same interests on account of the far-reaching interweaving of the French and German industries which was achieved through mutual free negotiations.

Furthermore, the German side has to do its share that nothing should happen in the further course which would enhance the inflationary tendencies in France. I have agreed with State Secretary Koerner that the Foreign Office and the Four Years' Plan should most closely follow further development in this respect and intervene as soon as necessary. State Secretary Koerner has told me that the Reich Marshal announced his decision to curb and, if necessary, to stop the black market action if it should become apparent that it has undesirable consequences in this respect. Also, further liaison will be maintained by the Foreign Office with the OKW which has already taken provisions to reduce the military expenditures to the absolutely necessary minimum in order to observe permanently this point of view.

In this way both on French as well as on German sides everything will be done to prevent the possible dangers of the payment of increased occupation costs.

Herewith submitted
via the State Secretary
to the Reich Foreign Minister
with the request to approve the planned procedure.

signed Wiehl

Copies to:
Büro Reich Foreign Ministry
St. S
U. St. S. Pol
Dir. Ha Pol
Dg. Ha Pol
Delegate Hemmen
Ha Pol Frie
Ha Pol II a

H4392 - 0030

PART 41

The Head of the Government

(Rubber stamp)
German Armistice Delegation f. Economic Affairs Wiesbaden
13 January 1943
No...Del..W..165....

enclosures:.....

12th February 1943

To his Excellency, Monsieur HEMMEN,
Minister Plenipotentiary

German Armistice Delegation for
Economic Affairs

Sir,

On the 15th December 1942 the German government asked me through you to increase the payments towards the costs of occupation by 10 million RM (200 million French francs), which would bring the daily total of payments to 25 million RM, as against 15 millions, or 500 million French francs as against 300 millions.

During our conversation of the same day, the 15th December, at the German Embassy, I pointed out to you:

On one hand that these payments exceeded France's ability to pay; that they would oblige the French government to cover this increase by advances from the Bank of France, and would in consequence risk compromising the French currency irretrievably;

on the other hand that the French payments exceeded the concept of occupation costs and really constituted a French contribution to the common defence of Europe;

that, wishing to collaborate and to render effective aid to the German war-effort under existing circumstances, I accepted these extra payments.

In formulating your request for an increase, you declared that close cooperation should be instituted between our two countries, with the purpose of seeking and applying common measures intended to ensure the stability of the French currency and of French economy. You mentioned, on this subject, that the German government would appoint a plenipotentiary to the French government, whose mission would be to advise the French government.

I declared myself ready to cooperate closely in the financial field as in all others, but I formally rejected the appointment of a financial adviser as this would undermine the authority of the French government and risk ruining the confidence of investors.

It is in fact necessary to point out that the daily payments which are the object of your request of the 15th December for an increase, do not represent the total of the financial burdens on my country. Besides these payments, France bears the lodging and billeting expenses of the German troops in the occupied zone, as well as the advances made for the functioning of the Franco-German clearing agreement.

I had also pointed out to you, in our conversation of the 15th December, that a demand from the Italian Government could be expected. Since then,

H4392 – 0031

PART 39 (Cont'd)

although the Franco-Italian Armistice Convention does not put part of the costs of maintenance of the Italian occupation troops on France, the Italian government has requested advances.

Finally, I consider that the daily payments should, from the day that they are raised to 25 million RM, i.e., 500 million French francs, include all obligations falling on France as a result both of the occupation and of the Clearing agreement, and should take into account any advances which may eventually be granted to the Italian government.

It has not been possible to hold any conversations since December; I consider that negotiations on these various points are essential and should be pursued without delay.

While waiting for these negotiations to end up the necessary agreement, I inform you that I accept from now, under the conditions I have just described, a provisional increase in the daily payments as from January 1943, to 25 million RM, i.e., 500 million French francs.

The French government will immediately take steps to meet, on this basis, the new payments which have been demanded from it, and particularly to make up the difference in the payment made on the 11th January 1943 at the old rate.

I am, sir, etc.

(sgd) illegible

* * * * * * * * * * * *

PART 41

Received 2 November 1943
at 1630 o'clock (H. Hartlieb)
from AA Berlin (I propose a note)
by Kn. (2/Nov)

(Rubber Stamp)
German
Armistice Delegation
For Economy
Wiesbaden
2 November 1943
No. 4492
Incls.

From S Berlin, Foreign Office No. 5 2/Nov
1617 Etat

To
Delegation Hemmen Paris

No. 196 = Secret Letter

Reference: written Decree HA POL FRIE 808 of 28
and 836 of 30 October (penciled note: not yet received)
and 838 of 2 November.

All departments concerned attach the greatest importance to the continued payment of the French occupation cost payment, previously paid to Italy, because of the condition of the occupation cost account and of the increased demand, which has been caused by the occupation of the Southern French area, which was up to now reserved for the Italian armed forces. I therefore request,

PART 41 (Cont'd)

to demand from the French government the transfer of all payments provided to Italy, to the Reich. If the French government should raise any legal objections then I request to point out without going into legal questions that the German Reich has taken over the protection of the areas occupied by Italy up to now. If necessary, certain concessions can be made, according to the suggestion by the Four Years' Plan, to which the Reich Minister of Finance has also agreed, in the question of the additional payment of 2.8 billion Francs for the previous additional demands of the Italians in the connection with war and occupation damages. The Reich Minister of Finance requests to point out to the French government also that its representatives themselves, during the negotiations of the delegate of the Reich cabinet (Reichsregierung) for economic and Financial questions, always have entered the Italian occupation costs as debit items. Request report on the acceptance of your demarche.

Dumont + + +

No. 6 of 2 November 1943 1630 Rec'd Wako Paris Ka + +

* * * * * * * * * * *

Part 44

Minister of Finance

Minister's Office

(rubber stamp)
Minister's office
Ministry of National Economy
and Finance

Paris 23 June 1944

(rubber stamp)
German
Armistice Delegation
f. Economic Affairs.
Wiesbaden
23 June 1944
No.....2126.....
Enclosures .....

Sir,

I have the honour to confirm the conclusions reached in our talk of the 21st June.

The payments towards the costs of occupation, which have till now been made every 10 days and in advance, will provisionally, to fit in with present circumstances, be made monthly and in advance, on the 21st of each month.

On the 25th of June next a settlement will be made, which will cover the monthly period from the 21st June to the 20th July, taking into account the payment made on the 21st June. From the 21st July, monthly payments will be made in advance at the rate previously agreed.

These new regulations for the payments were adopted owing to the exceptional circumstances which justify the request you addressed to me in the note of the 19th June. They impose new burdens on the French Treasury at a time when, as you know, the monetary situation fills me with the liveliest apprehension.

I therefore count on the system of making the payments every 10 days being reintroduced as soon as possible.

I am, sir,

etc.

(sgd.) illegible

Monsieur HEMMEN
Minister Plenipotentiary
President of the German Armistice Delegation
for Economic Affairs

H4392 - 0032

H4392 - 0033

TRANSLATION OF DOCUMENT 1741-PS
OFFICE U.S. CHIEF OF COUNSEL

PART 46

Konzept/Ss

Paris, 11 July 1944 No. 2318

1) To
the Foreign Office Berlin

Teletype - C7 - (only from ‹ to ›
in secret cipher)

(In handwriting "Citissime")
No. 87 of 11 July 1944
after cabled order of 8 July No. 71.

I ask for the consent of the Reich Minister for Foreign Affairs to enter negotiations with the French government on the following basis:

1.) The OKW demands an increase of the French occupation cost payments from 25 million RM a day or 750 million RM a month plus 50 million RM for Italian occupational costs to 33.3 million RM a day or 1 billion RM per month and proposed to the Foreign Office to instruct my delegation to enter negotiations with the French Government to that effect. The RFM (Reich Finance Ministry) and the Four Year Plan agreed to that demand.

The expenditures for occupational cost have since the beginning of the year constantly exceeded the income because of the increasing preparations on the Atlantic coast, made necessary by the war. These excess expenditures were covered by using the remaining credits on the account of occupational costs and by a payment of one month of occupational costs in advance which we demanded a short time ago.

These expenses increased to an even larger extent during the last few months, especially since the beginning of the invasion. While they still amounted to 900 million RM in May, they increased to 950 million RM in June and will reach 1100 millions in July. All reserves which were available up to now will be exhausted by the middle of August at the latest. New means for the conduct of war in France must therefore be procured until then according to the demand of the OKW.

2.) The income of the French Government from Tax-Sources, and mainly the raising of money through loans and short-term bills of exchange has on the other side decreased considerably since the extensive paralyzation of the economic life, the industries and the transportation system in France. The French Government consequently has been forced for the last few months to use the advances of money of the Bank of France at an ever-increasing rate. Those advances increased from about 10 billions of F. Frs. to 18 billions of F. Frs. in May and 25 billions F.Frs. in June. The newly demanded payments will also have to be raised through the use of the bank-note credit, that means, through the printing of bank notes.

The French Government can on the other hand hardly be surprised, considering the actual circumstances, if we approach them with the demand for increased payments.

(We know from confidential sources that Laval and Finance Minister Cathala already expect such a demand.)

3.) Considering, however, the political necessities and the already mentioned difficult financial situation of France, and in appreciation of the fact that the French Government has kept its financial obligations for 4 years without interruption, I propose the following:

1.) to designate the new increase of payments which has now become necessary, as temporary and to leave open the possibility of our readiness to reopen negotiations for an eventual re-diminution, as soon as the military situation in France permits.

PART 46 (Cont'd)

2.) Not to designate that new demand as an increase of the occupational costs in the spirit of the Armistice treaty, because that demand, which was explicitly motivated by the OKW, as to cover the increased expenses for our conduct of war in France, could only with difficulty be reconciled with the obligation to pay the "cost for the maintenance of our occupation troops", as based on the Armistice-treaty. I recommend rather to present it as special contribution of the French Government and the French people for the repelling of Bolshevism (original version reads: "repelling of the Anglo-Saxon invasion of Europe" but it has been changed in pencil to read as above) and the defense of Europe. Such a formulation lies in the political line of Laval and his repeated declarations. This does not change the fact, that those payments, like the previous increase, will also be made through the account of occupational costs and will thus continue to be treated as such.

3.) In order to provide also an exterior character to that idea, I propose to negotiate about a single additional effort of 1 billion RM to be paid in monthly installments of 200 million RM each. At the expiration of 4 months a further contribution by France could eventually be negotiated again, according to the then prevailing military situation.

With the consent of the embassy.

signed: Hemmen.

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PART 47

Copy as concept/Ss

German Armistice Delegation
for Economics

Paris, 31 July 1944

1)

N o t e

for the President of the French Delegation to the German Armistice Delegation for Economics, Governor de Boisanger.

Mr. President!

Following a special order of the Reich Cabinet, I have the honor to communicate the following to you:

According to Article 18 of the armistice treaty the French Government has to defray the expenses for the support of the German occupation troops on French soil.

The daily occupation expenditures for the Wehrmacht in France are at present more than 35 million RM. Since 11 November 1942 the French Government has paid daily instalments of 25 million RM to the occupation costs. Due to the deficit thus resulting every month the last reserves from the occupation cost account have been used up in the meantime as you repeatedly had occasion to notice for yourself. By myexchange of notes with Minister Cathala on the future monthly advance payments of occupation costs of 19 and 23 June 1944 the necessarily resulting insolvencies could be overcome, however, the existing deficit could not be removed. I therefore request the French Government now to increase the instalments of occupation costs effective on 1 August of this year to 35 million RM daily.

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PART 47 (Cont'd)

In accordance with the said exchange of notes of 19 and 23 June 1944 - No. 2076 - the instalments are to be paid monthly in advance on the 21st of the preceding month. The additional amount of 200 million RM for the period of 1 to 20 August has therefore become due and is to be paid before 15 August 1944.

I request you, Mr. Governor, to acknowledge receipt of this note and to inform me of the orders given by the French Government in order to carry out the above demand of the Reich Cabinet.

Please accept, Mr. President, the expression of my deepest respect.

s. Hemmen

President

* * * * * * * * * * *

PART 49

By special route via Altkirch

Belfort, 20 August 1944 No. 2739 IV

T e l e t y p e

Foreign

B e r l i n

No. 111 of 20 August 1944
In connection with No. 107 of 11 August.

As I reported on 12 August the 8 billion-rate promised by President Laval for 12 August has finally been paid on time after considerable difficulties had been overcome (compare my report of 16 August). There was an unmistakable tendency to put off this payment until after the approaching bank-holidays to the 16th in the hope that by that time the development of the military situation would prevent the payment (American tanks had already been reported in Chartres).

In addition to the increase of occupation cost payments I negotiated since 7 August upon suggestion of our military agencies with the Governor of the Bank of France, de Boisanger, about transport for safeguarding of the large reserves in bills in Paris (60 billion F. frs.) and Clermont Ferrand (80 billion F. frs.) to eastern France.

Readiness of the Bank of France to do so was undoubtedly present, the existing transport facilities and the requisite military protection however extremely slight. A first transport of 25 billion from Paris to Nancy was scheduled for 12 August; simultaneously also the instalment of 8 billion due on the 12th was to be sent off because there would be no other transport opportunity for it. This transport was carried out. For a second transport of 25 billion the military could no more make available any trucks. Railroads are also out. Therefore, the German Bank commissioner tried to transfer 10 billion F. frs. on 2 trucks of the Bank of France in another transport about the completion of which there is no report yet.

Still greater were the difficulties of transport and protection for the transfer of 80 billion reserves in bills from Clermont-Ferrand to Dijon and Lyon, because there direct transport is being obstructed by Maquis and transport therefore had to be directed via Paris.

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PART 49 (Cont'd)

Ten billion of these did arrive. Further transports are improbable in view of the development in the meantime.

* * * * *

(Page 3 - 8 lines from bottom)

However, on the morning of the following day, 17 August, I again negotiated orally with Minister Cathala and Governor de Boisanger about our demand for increase of occupation costs. Cathala at this opportunity declared as per order of President Laval that the French government now definitely refuses the demanded increase for reasons already stated. I stated that therewith I had to consider our negotiations as definitely frustrated and therefore reserve subsequent decisions to my government. As I had learned in the meantime that the convention in the Bank of France necessary for the instalment of 8 billion due on 21 August had not yet been applied for, i.e., that on the due date new difficulties for the payment had to be expected, I expressed the definite expectation of the Reich Cabinet that order to pay the balance will be issued on time by the Ministry of Finances, Cathala thereupon declared that the French Government for a period of more than 4 years always fulfilled its obligations promptly. As long as he functioned as Minister of Finances he always considered it his special duty to fulfill the obligations contracted by the French Government; he would act the same way now in case he should still be in office on the 21 August. By saying so he distinctly alluded to the pending plans for a change of government and the present serious situation of President Laval.

* * * * *

(Note: The original shows numerous corrections in ink. Translation followed the corrected version.)

* * * * * * * * * * *

Copy

PART 51

In the field 7 September 1944

The Military Commander
in France

To Distribution

The French government has not yet paid the 2nd September installment of the occupation costs which were due 21 August. For the securing of the French for the armed forces, stationed on French soil, I order the following.

The administrative headquarters (Feldkommandaturen; FK) mentioned in the distribution, will confiscate at once half of the cash amounts of francs at the branch of the Bank of France, located at their official station, and will cause the removal under military guard to the following REICHSKREDITKASSEN: BELFORT, COLMAR, MÜLHAUSEN, STRASSBURG, SAARGEMUND, and SAARLAUTERN. According to the situation of end of July, the following cash amounts were with the branches of the Bank of France: BELFORT 698 million francs, BESANCON 642, EPINAL 853, LUNEVILLE 93, NANCY 1,411, NEVERS 1,016, SAINT DIE 18 VESOUL 227.

Furthermore, 2 billion francs in thousand-franc notes are in the vault of the Bank of France in NANCY or EPINAL, which were brought via

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PART 51 (Cont'd)

transport in the middle of August from Paris to Nancy. Those 2 billion francs are also to be confiscated and to be removed.

/s/ Kitzinger
General of the Air Force

Distribution

		(in pencil)
FK	Belfort	698
	Besancon	642
	Epinal	853
	Luneville	93
	Nancy	1,411
	Nevers	1,016
	Saint Die	181
	Vesoul	227
		6,131 : 2 = 3 billion francs
		+ 2 " "
		5 billion francs were to be confiscated

Order was forwarded by telephone

* * * * * * * * * * *

PART 53

German
Armistice Delegation
for Economics
Wiesbaden
16 November 1944
No. 2971
Enclosures ...

Berlin C 111,
7 November 1944

Chief Administration
of the
Reichskreditkassen

Journal No. 10906/44
Re: Your letter of 12 October 1944
- No. II 2846 -

The French moneys in the amount of
ffrs 2,931,000,000. -

deposited with us by the military commander in France have been accounted for by us with the Bank of France, Belfort branch, as per our letter of 25 October 1944, photocopy of which is enclosed.

Chief Administration of the
Reichskreditkassen

To the
German Armistice
delegation for Economics
(12 b) Salzburg
Hotel Osterreichischerhof

Initials Initials

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CERTIFICATE OF TRANSLATION
OF DOCUMENT NO. 1741-PS

20 November 1945

I, WILLARD E. SKIDMORE, Lt (jg), USNR, 391590, hereby certify that I am thoroughly conversant with the German and English languages and that Parts 3, 6, 20, 22, 27, 30, 32, 33, 34, 35, 36, 41, 46, 47, 49, 51 and 53 are a true and correct translation of the

WILLARD E. SKIDMORE
Lt. (jg), USNR,
391590

23 November 1945

I, 217840 MAJOR L. A. HILL, M. C., British Army, hereby certify that I am thoroughly conversant with the French and English languages, and that Parts 7, 8, 23, 29, 39 and 44 are true and correct translations of the corresponding parts of Document Number 1741-PS.

217840
MAJOR L. A. HILL,
M. C., British Army

Abgesandt an A.A. Bln 22.8.40. 18.00 Hillers

Fernschreiben.

Auswärtig

Berlin

Del.Nr. 80.

Im Anschluss an Fernschreiben Del.Nr.76 vom 20.Aug.1940 betr.Besatzungskosten.

General Huntziger hat gestern eine Unterredung bei mir nachgesucht, die gestern abend stattfand. Gegenstand der Besprechung waren die Einsetzung der von uns geforderten Kontrollen und Kommissare im unbesetzten Gebiet und die Höhe der Besatzungskosten.

Zum Thema Kommissare erhob General Huntziger Einwendungen gegen angeblich viel zu weitgehender von uns geforderter Befugnisse, welche geradezu eine deutsche wirtschaftliche Diktatur anstrebe und die französische Souveränität in untragbarer Weise einschränke.

Bezüglich unserer Besatzungskostenforderung warf er uns zunächst Bruch des Waffenstillstandsvertrags vor und zog die Parellele mit der elsass-lothringischen Frage, die er gestern General von Stülpnagel gegenüber als ebensolchen Bruch bezeichnet habe.

Ich wies diesen Vorwurf bestimmt und entschieden zurück und bewies ihm an Hand der Protokolle von Compiègne, dass der französischen Regierung schon vor Unterzeichnung des Vertrages ausdrücklich eröffnet worden sei, dass die Stärke der von Frankreich zu unterhaltenden Besatzungsarmee sich nach den Erfordernissen der weiteren deutschen Kriegsführung richten müsse .

General Huntziger erkannte das an, machte aber geltend, niemand in Compiègne habe daran gedacht, dass man mit dieser Formulierung Frankreich die Kosten des Kampfheeres gegen England habe aufbürden wollen. Er selbst habe darum auch zu Artikel 18 des Vertrags keine Einwendungen erhoben. Er richtete xx dann in dramatischen Worten einen Appell an mich, Frankreich nicht in den Abgrund zu stürzen. Die von uns gestellten exorbitanten

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Forderungen könne keine Regierung ihrem Volke zumuten, ohne schwerste innere Krisen auszulösen und selbst hinweggefegt zu werden. Die laufenden sehr hohen Zahlungen gäben Deutschland die Möglichkeit, ganz Frankreich aufzukaufen einschliesslich seiner Industrien und seine ausländischen Anlagen. Sie bedeuteten deshalb den Ruin Frankreichs, was, wie beim Abschluss der Waffenstillstandsbedingungen ihm ausdrücklich erklärt worden sei, nicht in der Absicht der Reichsregierung liege.

Im Hinblick darauf, das meine Besatzungskostennote vom 20. August wegen technischer Übermittlungsschwierigkeiten erst heute französischer Regierung zur Kenntnis gelangt, habe ich zwar auf ernste Konsequenzen der Nichtzahlung zum festgesetzten Termin hingewiesen, jedoch noch keine konkreten Sanktionen in Aussicht gestellt.

General Huntziger ist heute nach Vichy geflogen, ich erwarte seine Antwort morgen.

Im Hinblick auf jetzt einsetzende äusserst starke moralische Reaktion Generals Huntzigers in beiden obigen Fragen dürfte mit Schreiben Regierungschefs Pétain an Führer zu rechnen sein.

Ausführliche Niederschrift über Ablauf gestriger Besprechung mit Huntziger folgt mit Eilbrief.

Hemmen.

22/8.40.

KEEP S
FRENCH

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TRADUCTION DU DOCUMENT 1741 PS/5
(Extrait)

TELEGRAMME AU MINISTERE DES AFFAIRES ETRANGERES DE BERLIN

Del. N° 80

En Annexe au Télégramme Del. n° 76 du 20 Août 1940
Relatif au Frais d'Occupation.

Le Général HUTZINGER a demandé hier à avoir une conversation avec moi qui a eu lieu hier soir.

L'objet de cet entretien était l'établissement du contrôle et de commissaires demandés par nous dans le Territoire non-occupé, et en second lieu la question du montant des frais d'occupation.

Au sujet des commissaires le Général HUTZINGER a élevé des objections contre les pouvoirs réclamés par nous, et a déclaré ceux-ci beaucoup trop étendus, au point d'établir une véritable dictature économique Allemande, absolument inconciliable avec la Souveraineté Française.

En ce qui concerne nos prétentions concernant les frais d'occupation, il nous a d'abord menacé d'une rupture de contrat d'Armistice et il a tiré le parallèle avec l'Alsace-Lorraine qu'il a déjà présenté hier au Général STULPNAGEL comme une rupture du même ordre.

J'ai repoussé ces griefs et lui ai expliqué, le procès-verbal de Compiègne en mains, que déjà, dès avant la signature du traité, le Gouvernement français avait été informé que l'effectif des Forces de l'Armée d'occupation entretenues sur le Territoire Français serait contingenté par la nécessité de poursuivre la guerre.

Le Général HUTZINGER l'a reconnu, mais il objecta que personne à COMPIEGNE n'avait eu dans l'idée que cette formule entraînerait pour la France la nécessité d'avoir à débourser les frais correspondant à la guerre contre l'Angleterre, c'est la raison pour laquelle, lui-même n'avait élevé aucune objection à l'article 18 du Traité. Il m'adressé ensuite un appel dramatique, en m'adjurant de ne pas précipiter la France dans l'abîme. Les prétentions exhorbitantes que nous avions déposées, aucun Gouvernement ne serait capable de les faire accepter au Peuple sans provoquer aussitôt une très grosse crise intérieure, et sans être lui-même balayé.

Ces paiements courants considérables donneraient à l'Allemagne la possibilité d'acheter la France toute entière, y compris ses intérêts et ses participations à l'étranger, ce qui signifierait la ruine de la France et tel n'est pas le but du Reich, comme il lui fut expressément déclaré au cours des négociations d'Armistice.

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Filed Jan 22, 1946

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